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EX PARTE

September 18, 2000

Ms. Magalie Roman Salas
Secretary - Federal Communications Commission
The Portals, 445 Twelfth St., SW
Washington, D.C., 20554

RE: CC Docket No. 99-68 -- Inter-Carrier Compensation for ISP-Bound Traffic

Dear Ms. Salas,

On Friday, September 15, Randy Farrar, Dick Juhnke, Jim Sichter, and I representing Sprint, met with representatives of the Competitive Pricing Division of the Commission's Common Carrier Bureau regarding the above referenced matter. Representing the Bureau were Tamara Preiss, Adam Candeub, and Rodney McDonald. The purpose of the meeting was to discuss the switching costs of terminating traffic. The attached materials were presented and formed the basis of the discussion.

In accordance with FCC rules, I am filing the original and one copy of this letter in the docket identified above. If there are any questions, please call.

Sincerely,

Pete Sywenki

cc: Tamera Preiss
Adam Candeub
Rodney McDonald

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Reciprocal Compensation Presentation

Switching Costs and Reciprocal Compensation Issues

Prepared by Sprint

September 15, 2000

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Forward Looking Economic Cost

Major Assumptions - Switching Cost

Based on current technology

Based on currently available equipment; e.g., Nortel / Lucent digital switching equipment

Based on current vendor pricing

Include common costs

Forward-looking investment developed via Telcordia's Switching Cost Information System (SCIS)

Reflects use of existing LEC wire centers and their host / remote relationships

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SCIS Investment Categorization

- Non-Traffic Sensitive
  - Line Termination
    - Line card
    - MDF & Protector
- Traffic Sensitive
  - Getting Started Cost
    - Central Processor - Trunk Set-up (TSU)
  - Cost Per Line CCS (LCCS)
  - Cost Per Trunk CCS (TCCS)
  - Cost Per Umbilical CCS (Host / Remote) (UCCS)
  - Cost per SS7 Octet (SS7)

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Reciprocal Compensation

Cost Components

- Call Attempt (Set-up) Costs
  - Trunk Set-up (Getting Started Cost)
  - SS7
- Duration (MOU) Costs
  - Line CCS
  - Trunk CCS
  - Umbilical CCS

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Traffic Cost Characteristics

DMS100 - Centralized switching architecture

Central Processor performs call processing

higher relative call attempt costs

5ESS - Distributed switching architecture

Switching Modules perform most call processing

lower relative call attempt costs

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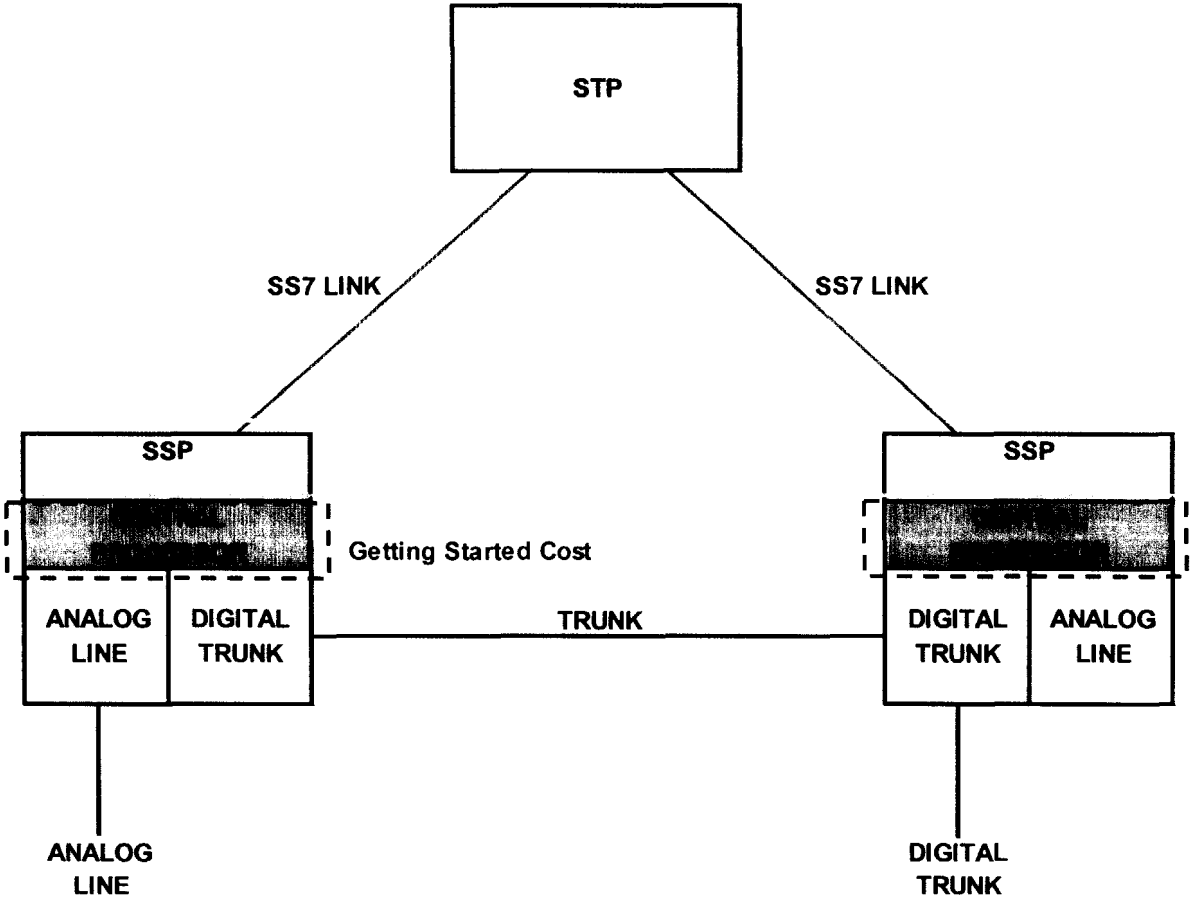
Traffic Sensitive Costs

Terminating Call Setup (Simplified Diagram)



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DMS Processor Capacity

Processor has a finite capacity

Processor capacity can be exhausted / expanded

Shared resource - available to all users

Processor Type	Busy Hour [illegible]
SN 20	87,000
SN 30	130,500
SN 40	156,600
SN 50	260,000
SN 60	299,000
SN 70	508,000
XA-Core Rel 2	1,016,000

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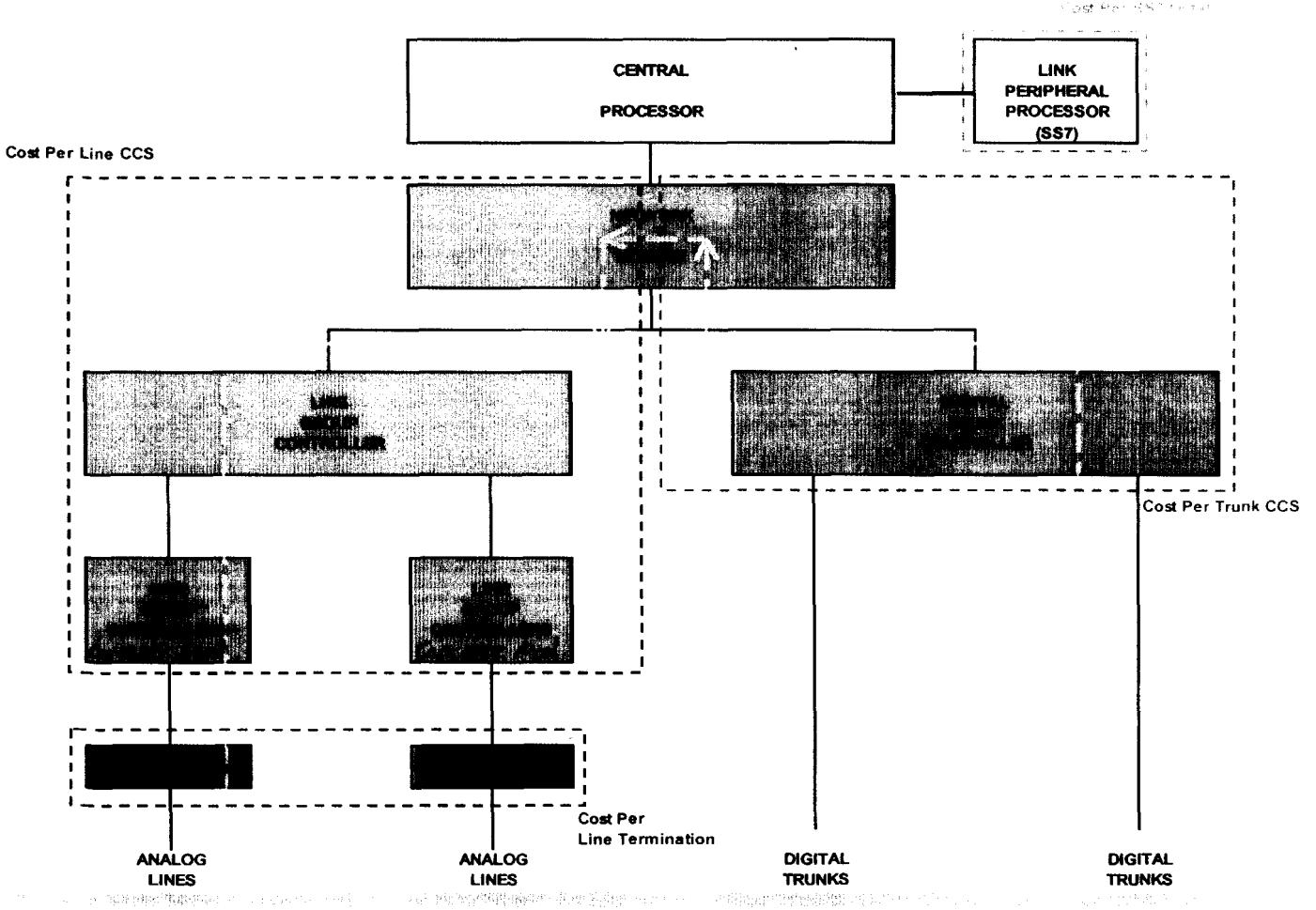
Traffic Sensitive Costs

Terminating Call Duration - DMS (Simplified Diagram)



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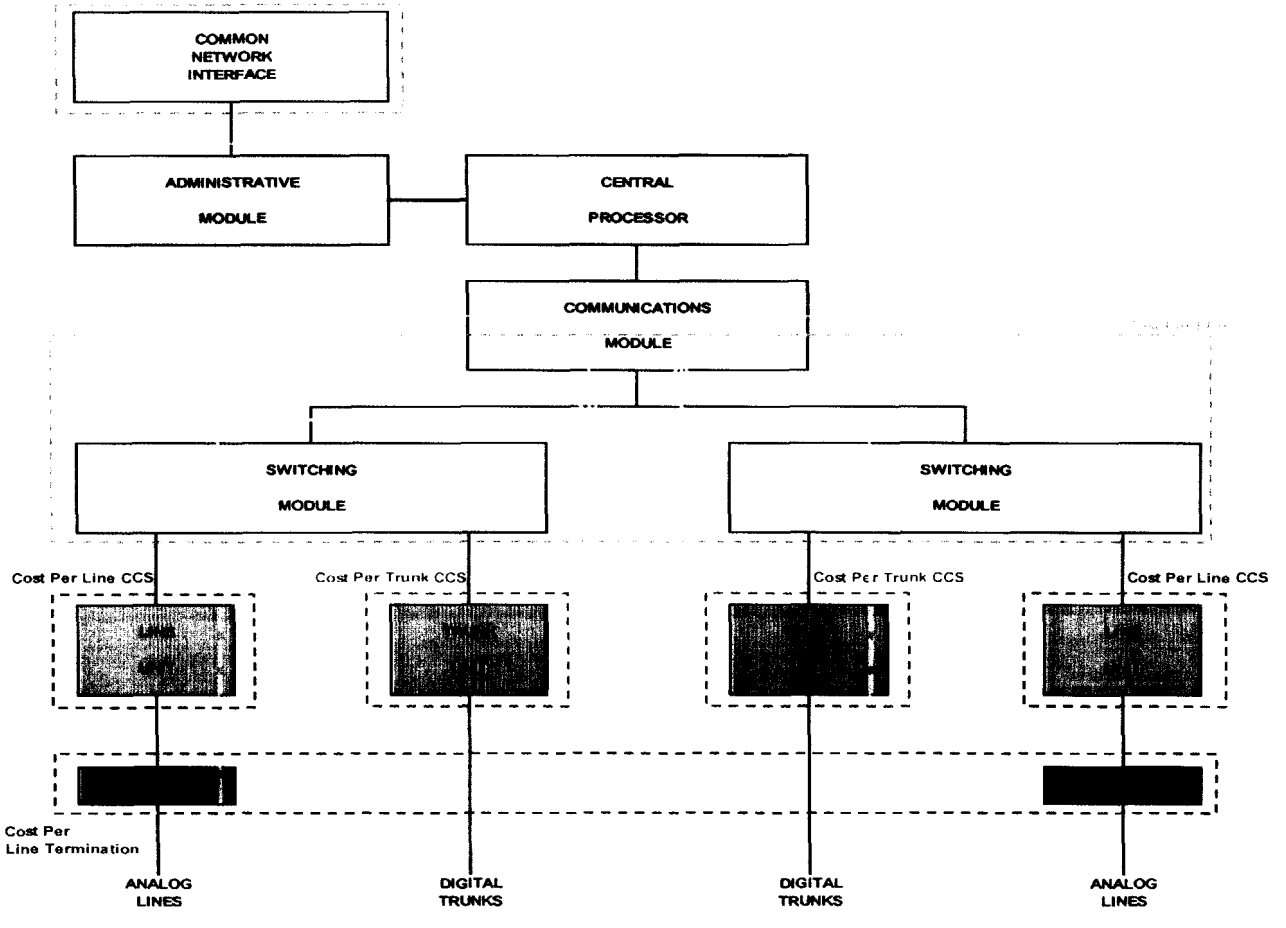
Traffic Sensitive Costs

Terminating Call Duration - 5ESS (Simplified Diagram)



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SCIS Cost Equations

SCIS recognizes processor and SS7 costs as components of call set-up

- Feature 941 - Trunk - Line Call Set-up
  - Getting Started Costs (Processor)
  - SSP Octet
- Feature 942 - Trunk - Line Minute of Use
  - Line CCS
  - Trunk CCS
  - Umbilical CCS

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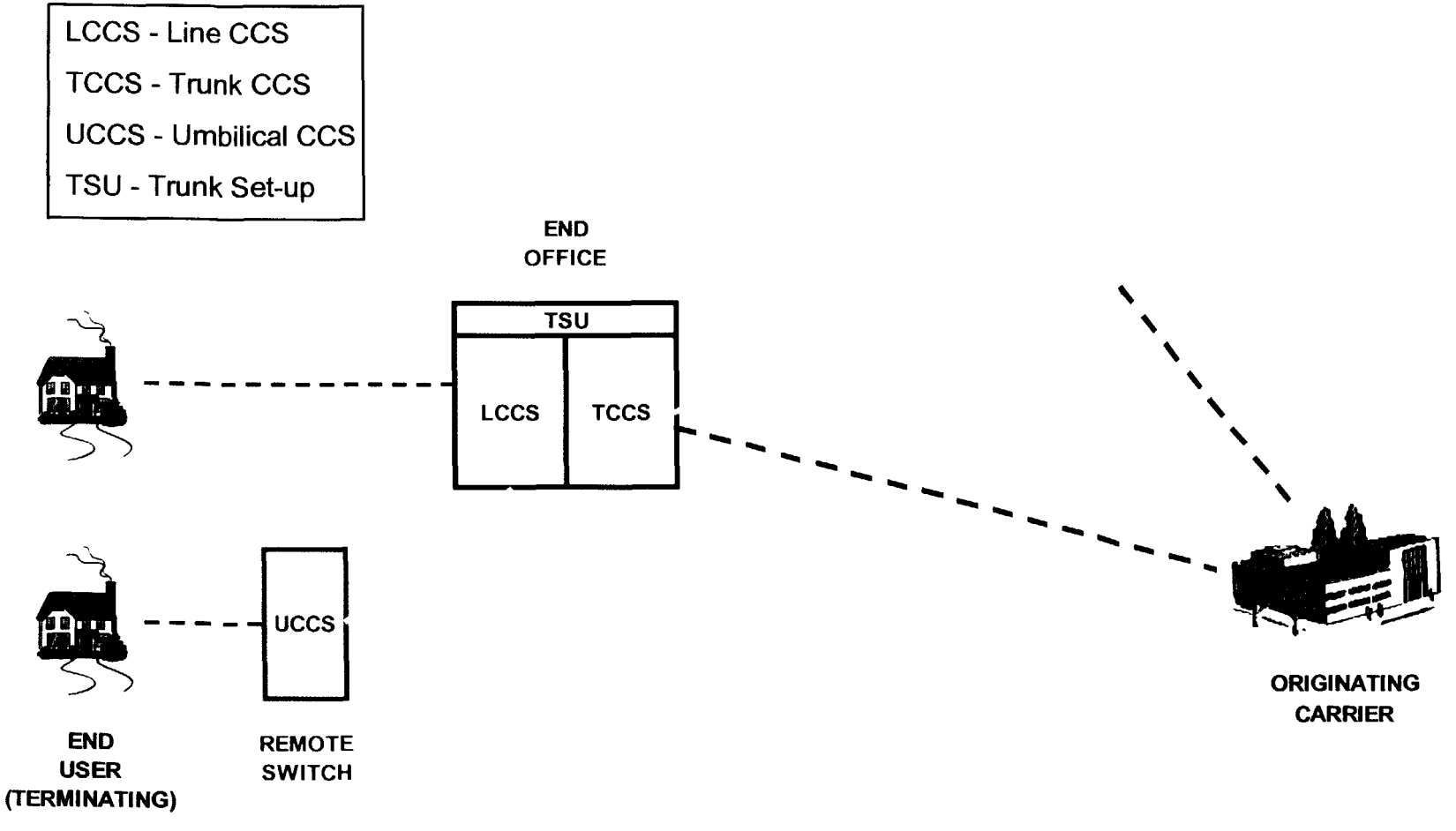
Rate Development Diagram



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So why do we need a bifurcated rate???

Switching costs consist of two components

- Cost per call attempt (set-up)
- Cost per MOU (duration)

Duration costs vary with holding time per call

Set-up costs do not vary with holding time per call

ISP calls are of longer duration than average voice call

- ISP - 27 MOU
- Average - 3.40 MOU

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So why do we need a bifurcated rate???

Rate Comparisons

Sprint - Florida central office data

Technology	Number of Offices	Number of Access Lines	Average Rate $/MOU	Bifurcated rate $/ Call Attempt	Bifurcated rate $/ MOU	Bifurcated rate Ratio CA / MOU
DMS 100	41	1,177,420	$ 0.00360	$ 0.00504	$ 0.00226	223%
5ESS	11	379,994	0.00358	0.00198	0.00286	69%

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So why do we need a bifurcated rate???

ISP Example - Average vs. Bifurcated Rates

Description	DMS Rate	DMS Call Type Average	DMS Call Type ISP	ESS Rate	ESS Call Type Average	ESS Call Type ISP
Average rate						
Holding Time (MOU / CA)		3.75	27.00		2.74	27.00
Average Rate ($ / MOU)	$ 0.00360	$ 0.00360	$ 0.00360	$ 0.00358	$ 0.00358	$ 0.00358
Total Cost		$ 0.01350	$ 0.09720		$ 0.00981	$ 0.09666
Bifurcated Rate (Actual Cost)						
$ / Call Attempt	$ 0.00504	$ 0.00504	$ 0.00504	$ 0.00198	$ 0.00198	$ 0.00198
$ / MOU (Rate * Holding Time)	0.00226	0.00848	0.06102	0.00286	0.00784	0.07722
Total		0.01352	0.06606		0.00982	0.07920
Ratio: Average Rate to Actual Cost		100%	147%		100%	122%

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So why do we need a bifurcated rate???

ISP Example - Average vs. Bifurcated Rates

Average rate

- Accurately recovers costs only for average duration calls
- Over-recovers costs for long duration calls
- Under-recovers costs for short duration calls

Bifurcated rate

- Accurately recovers costs for all calls

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Summary

Traffic sensitive costs can be separated into per call attempt and per MOU cost components

The relationship of per call attempt and per MOU costs vary significantly by switch vendor technology

A bifurcated rate structure most accurately and fairly captures switch usage costs and thus addresses concerns about differences in the cost of terminating different types of traffic